

**TOP SECRET**

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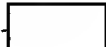


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**CENTRAL INTELLIGENCE AGENCY**

State Department review completed



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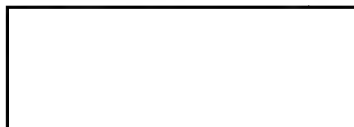
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4. Chinese Communists dismiss high officials:

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The Central People's Government of China announced on 6 May the removal of 14 officials including a deputy director of the Ministry of Public Security, the Director of Public Security

in East China, the two ranking officers of the Department of North China Affairs, eight governors or deputy governors of provinces, and the mayors of Tientsin and Anshan.

Comment: Although certain of the removed officials may be reassigned to important posts, the pattern of removals suggests that Peiping is dissatisfied with the work of its governing apparatus in several regions and provinces, particularly in the North China area. These dismissals do not appear to be connected with the "San Fan" campaign which was directed chiefly against bourgeois elements.

SOUTH ASIA

5. Ceylon opens credit for Soviet rubber deal:

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The Foreign Department of the Bank of Ceylon states that a credit of 200,000 pounds sterling has been opened in favor of R. Wanigatunga and Co., for shipment in June of Ceylonese

rubber to the USSR via Rotterdam. Wanigatunga recently returned from the Moscow Economic Conference through Hong Kong. The American Embassy in Colombo believes this credit is the first installment of an anticipated one million pound sterling Russian credit.

Comment: This deal is in a more advanced stage than any which appear to have resulted from the Moscow Economic Conference. It is the first Soviet purchase of Ceylonese rubber since 1946 when 3,000 tons were bought. The transaction further emphasizes the official Ceylon policy of selling to all comers.

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NEAR EAST - AFRICA

6. Iranian Parliament rejects credentials of opposition and government leaders:

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In a stormy session on 8 May, the Majlis refused to seat 22 of the 70 deputies who have been elected. Those whose credentials were rejected include several of the most important leaders of the conservative opposition. The conservatives, however, succeeded in obtaining rejection of ten of the twelve Tehran deputies, all of whom are members of the National Front,

and they are making a determined effort to have the Tehran elections annulled altogether.

Comment: Conservative success in obtaining rejection of the Tehran deputies represents a considerable set-back for the Prime Minister, who reportedly hoped to purge the opposition from the Majlis. Confirmation of the rejections, which are now being reviewed by a Parliamentary board, would further postpone full convocation of the Majlis. Rejection of the Tehran deputies would permit some Communist-sponsored deputies to be seated unless the Tehran elections are annulled.

7. King Farouk rejects British proposal on Sudan:

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In rejecting the latest British proposal on the Sudan, King Farouk stated that if he started full-scale negotiation without a prior Anglo-Egyptian agreement on this issue, he might

be faced with Prime Minister Hilali's resignation. He emphasized that he had no one in mind to succeed Hilali. Farouk also said that "under no circumstances" could he or any Egyptian Government agree to prior consultation with the Sudanese before Britain recognizes his new title as "King of the Sudan."

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The King bitterly criticized the British and warned that he might be forced to denounce them publicly in order to protect his own position.

Comment: This is the strongest warning of possible internal disturbances in Egypt that Farouk has given to the American Ambassador since the time of the Cairo riots in late January.

### WESTERN EUROPE

#### 8. Indications seen that East Germans are tightening security:

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American representatives in Berlin believe that the 8 May East German press announcement of the conviction of fifteen persons as foreign saboteurs is more likely to be a preparation for increased internal and external security measures rather than a true reflection of sabotage in East Germany. They feel this belief is supported by other East German press releases on Western "military provocations" on the interzonal border and on the "dangerous" smuggling of East German goods into West Berlin.

The suggested East German security measures may be related to recent threats by Grotewohl and Pieck to "organize the armed defense of the homeland" if Bonn goes ahead with the program of Western integration.

Comment: Suggestive that new security measures are being prepared in East Germany is the unexplained detention of American and British military patrol vehicles on the Berlin-Helmstedt autobahn starting on the evening of 8 May.

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9. Netherlands will not present obstacles to signing of Defense Community treaty:

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Foreign Minister Stikker of the Netherlands believes that the cabinet, which meets 16 May to discuss the European Defense Community treaty, probably will agree to sign the treaty even though the problem of the German financial contribution is not solved. The cabinet, however, is likely to take the position that a satisfactory settlement must be reached before the treaty can be ratified by the Parliament.

Because the Netherlands is reluctant to commit itself for a fifty-year membership in the Defense Community, Stikker is considering proposing as a prerequisite of signature that it have the right to withdraw from the Community should the British defense guarantee be discontinued.

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